92 14 9459

0 5525
0-34869

92-2238

16 of

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

RECD S.E.C.
MAY 15 1992

(Mark One)

X Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 1992 or

__ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

PROCESSED BY
16-16-X
MAY 15 1992

For the transition period from _____ to _____

Microfilmed by
O-Data Corp. - St. Petersburg, FL

Commission file number 1-2413

Canadian National Railway Company
(Exact name of registrant as specified in its charter)

Canada	E.I. 980018609
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

935 de La Gauchetiere Street West, Montreal, Quebec, Canada H3B 2M9
(Address of principal executive offices) (Postal Code)

Registrant's telephone number, including area code (514) 399-5430

None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

At April 30, 1992, the Company had outstanding 5,868,786 shares of no par value capital stock being the only class of common stock.

BEST COPY
AVAILABLE

Canadian National Railway System

Index

	Page No.
PART I - FINANCIAL INFORMATION	
Item 1 - Financial Statements	
Consolidated Balance Sheets - March 31, 1992 (unaudited) and December 31, 1991	3
Consolidated Statements of Operations - Three Months ended March 31, 1992 and 1991 (unaudited)	4- 5
Consolidated Statements of Changes in Financial Position - Three Months ended March 31, 1992 and 1991 (unaudited)	6
Notes to Consolidated Financial Statements	7-10
Review by Independent Chartered Accountants	11
Report of Independent Chartered Accountants	12
Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations	13-14
PART II - OTHER INFORMATION	
Item 6 - Exhibits and Reports on Form 8-K	15
SIGNATURES	16

PART I FINANCIAL INFORMATION

Canadian National Railway System

Consolidated Balance Sheets

	March 31, 1992 (unaudited)		December 31, 1991	
	(in thousands of Canadian dollars)			
Assets				
Current				
Accounts receivable		$ 589,169		$ 479,745
Material and supplies		250,441		240,033
Other		297,709		252,815
		1,137,319		972,593
Investments		135,530		141,469
Properties		5,705,099		5,752,946
Other Assets and Deferred Charges		101,894		97,699
		$7,079,842		$6,964,707
Liabilities				
Current				
Bank indebtedness		$ 245,105		$ 29,165
Accounts payable and accrued charges		928,462		854,019
Current portion of long-term debt		293,574		281,967
Other		176,905		227,963
		1,644,046		1,393,114
Other Liabilities and Deferred Credits		412,031		408,512
Deferred Income Taxes		31,678		25,654
Long-Term Debt		1,484,598		1,601,697
Minority Interest in Subsidiary Companies		4,345		4,345
Shareholder's Equity				
Capital stock	$2,278,867		$2,278,867	
Retained earnings	1,224,277	3,503,144	1,252,518	3,531,385
		$7,079,842		$6,964,707

See accompanying notes to consolidated financial statements.

Canadian National Railway System

Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31	
	1992	1991
	(in thousands of Canadian dollars)	
CN North America		
CN Rail		
Revenues	$ 867,476	$ 822,180
Expenses	863,204	924,309
Income (loss)	4,272	(102,129)
Grand Trunk Corporation		
Revenues	101,644	97,031
Expenses	106,211	106,531
Loss	(4,567)	(9,500)
Total CN North America	(295)	(111,629)
Enterprises group:		
CN Real Estate		
Revenues	18,736	24,405
Expenses	12,361	11,589
Other income	1,007	2,485
Income	7,382	15,301
Other		
Income (loss)	8,653	(603)
Total Enterprises group	16,035	14,698
Income (loss) from continuing operations before income taxes	15,740	(96,931)
Income taxes	9,294	(28,807)
Net income (loss) from continuing operations	6,446	(68,124)
Discontinued operation		
CN Exploration results of operations net of applicable income taxes of $162 (1991 - $285)	313	857
Net income (loss)	$ 6,759	$ (67,267)
Net loss determined according to accounting principles generally accepted in the United States	$ (2,387)	$ (66,218)
Gross revenue	$1,016,948	$ 965,570
Total interest on long-term debt	$ 50,354	$ 49,761
Interest income	$ 655	$ 86

See accompanying notes to consolidated financial statements.

Major Expense Classifications

Major expense classifications for the transportation segment, which accounts for approximately 97% of the Company's expenses, are as follows:

	Three Months Ended March 31	
	1992	1991
	(in thousands of Canadian dollars)	
Road maintenance	$ 90,728	$ 105,734
Road depreciation	41,417	40,605
Equipment maintenance	134,769	139,527
Equipment depreciation	26,261	25,317
Transportation	321,728	321,608
Sales and general	196,628	239,404
Miscellaneous operations	2,462	2,525
Taxes	41,784	38,010
Equipment and joint facility rents	63,448	63,863
Interest	50,190	54,247
	$ 969,415	$1,030,840

See accompanying notes to consolidated financial statements.

Canadian National Railway System

Consolidated Statements of Changes in Financial Position
(Unaudited)

	Three Months Ended March 31	
	1992	1991
	(in thousands of Canadian dollars)	
Operating activities:		
Net income (loss) from continuing operations	$ 6,446	$ (68,124)
Non-cash items in income:		
Depreciation and amortization	69,002	67,029
Income of equity investees less dividends	(2,112)	(2,853)
Deferred income taxes (recovery)	5,862	(34,108)
Gain on disposal of unconsolidated affiliate	(8,271)	-
Changes in current assets and liabilities:		
Accounts receivable	(109,424)	(100,064)
Material and supplies	(10,408)	(13,999)
Other current assets	(44,894)	9,751
Accounts payable and accrued charges	74,443	66,178
Other current liabilities	(8,361)	(17,508)
Other	13,865	(15,445)
Cash from continuing operations	(13,852)	(109,143)
Cash from discontinued operations	3,080	3,704
	(10,772)	(105,439)
Investing activities:		
Additions to properties	(26,345)	(37,071)
Net proceeds from disposal of properties	2,858	11,888
Investments in unconsolidated affiliates	-	(1)
Advances from unconsolidated affiliates	2,626	1,123
Proceeds from sale of unconsolidated affiliate	10,521	-
Repayment of advances by unconsolidated affiliates	3,044	3,036
	(7,296)	(21,025)
Dividends paid to shareholder	(77,697)	-
Cash (used) before financing activities	(95,765)	(126,464)
Financing activities:		
Issuance of long-term debt	-	3,463
Reduction of long-term debt	(120,175)	(46,954)
	(120,175)	(43,491)
Net decrease in cash	(215,940)	(169,955)
Cash (bank indebtedness), beginning of year	(29,165)	(114,050)
Net cash (bank indebtedness), end of year	$(245,105)	$(284,005)

See accompanying notes to consolidated financial statements.

Canadian National Railway System

Notes to Consolidated Financial Statements
(All information for periods ended March 31 is unaudited)

1. The accompanying unaudited consolidated financial statements of Canadian National Railway System are stated in Canadian dollars and are based on Canadian accounting principles which differ in certain respects from those generally accepted in the United States. The effect on the net income had United States generally accepted accounting principles been followed is set out in the Consolidated Statements of Operations, and is attributable to the adjustments shown below resulting from translation of accounts carried in foreign currencies in accordance with Statement of Financial Accounting Standards No. 52 (SFAS 52) and the capitalization of leases satisfying the criteria of capital leases in accordance with SFAS 13. The principal difference between SFAS 52 and Canadian accounting principles is that SFAS 52 requires immediate absorption in income of unrealized exchange gains and losses on long-term monetary items whereas Canadian accounting principles require that these unrealized gains and losses be deferred and amortized unless effectively hedged.

	Three Months Ended March 31	
	1992	1991
	(in thousands of Canadian dollars)	
Net income (loss) as reported	$ 6,759	$ (67,267)
Adjustments in respect of:		
Foreign exchange	(9,448)	774
Capitalization of leases	302	275
Net loss as restated in accordance with accounting principles generally accepted in the United States	$(2,387)	$ (66,218)

On March 31, 1992 the value of the Canadian dollar against the U.S. dollar as reported by the Bank of Canada was U.S. $0.8409 (March 31, 1991 - U.S. $0.8638).

2. Pursuant to direction by the Government of Canada contained in an Order in Council issued March 27, 1992 the Company paid a dividend of $35 million to its shareholder on March 31, 1992 as an advance partial payment in respect of the proceeds to be received from the anticipated sale of CN Exploration.

3. In the opinion of the Registrant, these financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position as of March 31, 1992, the results of operations for the three-month periods ended March 31, 1992 and March 31, 1991, and changes in financial position for each of the three-month periods then ended.

4. The results of operations for the three-month period ended March 31, 1992 are not necessarily indicative of the results to be expected for the full year.

5. Certain of the 1991 comparative figures have been reclassified in order to be consistent with the 1992 presentation.

6. Supplementary Balance Sheet Information

	Mar. 31 1992	Dec. 31 1991
	(in thousands of Canadian dollars)	
Accounts receivable		
Trade	$465,402	$466,334
Government of Canada	149,932	40,471
Other	10,960	10,208
Sub-total	626,294	517,013
Less provision for doubtful accounts	(37,125)	(37,268)
Total as reported	$589,169	$479,745
Other current assets		
Accrued receivables:		
- from railroads for revenue settlements	$ 94,362	$ 95,340
- other	173,030	134,312
Other current assets	30,317	23,163
Total as reported	$297,709	$252,815
Accounts payable and accrued charges		
Trade	$289,803	$329,900
Payroll and other related items	220,384	192,967
Interest on long-term debt	74,694	76,689
Other	343,581	254,463
Total as reported	$928,462	$854,019
Other current liabilities		
Accrued liabilities to other railroads for revenue settlements	$ 91,724	$ 98,564
Dividend	-	42,697
Other	85,181	86,702
Total as reported	$176,905	$227,963
Other liabilities and deferred credits		
Personal injury reserve	$ 88,345	$ 87,420
Other	323,686	321,092
Total as reported	$412,031	$408,512

7. Supplementary Information - Statements of Operations

	Three Months Ended March 31	
	1992	1991
	(in thousands of Canadian dollars)	
CN Rail		
Revenues	$867,476	$ 822,180
Expenses	815,907	877,190
Operating income (loss)	51,569	(55,010)
Other income	2,144	6,733
Interest	49,441	53,852
Income (loss)	4,272	(102,129)
Grand Trunk Corporation		
Revenues	101,644	97,031
Expenses	106,158	107,538
Operating loss	(4,514)	(10,507)
Other income	696	1,402
Interest	749	395
Loss	(4,567)	(9,500)
CN Real Estate		
Revenues	18,736	24,405
Expenses	13,175	12,202
Operating income	5,561	12,203
Other income (expense)		
Joint ventures	1,007	2,485
Miscellaneous	1,046	(161)
Interest	232	(774)
Income	7,382	15,301
Other		
Revenues	21,422	13,023
Expenses	22,099	14,003
Operating loss	(677)	(980)
Other income	9,330	377
Income (loss)	8,653	(603)
Income (loss) from continuing operations before income taxes	$ 15,740	$ (96,931)

"Expenses", "Other income" and "Interest" are grouped in the "Expenses" caption on the Statements of Operations except for "Other income" from joint ventures in CN Real Estate which is shown separately.

Canadian National Railway System

Review by Independent Chartered Accountants

The March 31, 1992 financial statements included in this filing on Form 10-Q have been reviewed by Deloitte & Touche and Raymond, Chabot, Martin, Paré, independent chartered accountants, in accordance with established professional standards and procedures for such a review.

The report of Deloitte & Touche and Raymond, Chabot, Martin, Paré commenting upon their review is included.

Deloitte & Touche

RAYMOND, CHABOT, MARTIN, PARE

To the Board of Directors
Canadian National Railway Company

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the consolidated financial statements appearing on pages 3 to 10 of the accompanying Form 10-Q of the Canadian National Railway Company consisting of Consolidated Balance Sheets as at March 31, 1992 and December 31, 1991 and Consolidated Statements of Operations and Changes in Financial Position for the three-month periods ended March 31, 1992 and 1991.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical procedures to financial data, and making enquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements for them to be in conformity with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants

Montreal, Quebec
May 13, 1992

Chartered Accountants

Montreal, Quebec
May 13, 1992

Canadian National Railway System

Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

The Company had bank loans and other short-term indebtedness of $245.1 million at the end of March 1992, an increase of $215.9 million in the first three months of the year. Factors contributing to the increase for the period were long-term debt reductions of $120.2 million, dividends paid to the shareholder of $77.7 million, net additions to properties of $23.5 million and the usual first-quarter buildup of amounts receivable from the Government of Canada. Of the $77.7 million in dividends, $42.7 represented previously accrued dividends based on earnings in the years 1989 and 1990. The remaining $35 million was in respect of anticipated proceeds from the disposal of CN Exploration (see Note 2 of Notes to Consolidated Financial Statements).

The Company has arrangements with a number of Canadian and U.S. banks which provide lines of credit in excess of the Company's anticipated short-term borrowing requirements.

The Company has announced its intention to issue and sell $150 million 9 5/8% Notes due 1999 in the Eurocanadian market. The new issue will be listed on the Luxembourg Stock Exchange. These new Notes will be dated and issued May 14, 1992.

Planned capital expenditures for 1992 are approximately $420 million, including $25 million for the St. Clair River Tunnel Project.

At March 31, 1992, the Company had commitments to purchase railway ties at an aggregate cost of $10.0 million, rail at a cost of $5.6 million and rolling stock at a cost of $82.8 million.

Results of Operations

The System had net income of $6.8 million for the quarter ended March 31, 1992, compared with a loss of $67.3 million in the first quarter of 1991. Most of the improvement occurred in CN North America (the name under which the Company's Canadian and U.S. rail operations are conducted) because of increased traffic volumes and revenues in 1992 and the costs associated with employee reductions in the first quarter of 1991. The first quarter results also improved for the Enterprises group.

CN Rail had income of $4.3 million in the 1992 first quarter, an increase of $106.4 million over the $102.1 million loss for the corresponding period of 1991.

CN Rail revenues for the three months ended March 31, 1992 totalled $867.5 million, an increase of $45.3 million from the first three months of 1991. Freight revenues increased by $47.3 million due to higher traffic volumes. Revenues was higher for nearly all commodity groups, with the greatest increases occurring in grain, lumber and wood products, and petroleum and chemicals. The increase in freight revenues was partly offset by reductions in revenues from U.S. exchange, commuter operations and other services.

CN Rail expenses for the quarter decreased by $61.1 million from 1991 despite the higher cost of operations associated with traffic volume increases. This was mainly due to high employee separation costs incurred in the first three months of 1991.

Grand Trunk Corporation had a loss of $4.6 million in the first quarter of 1992 compared with a loss of $9.5 million in the first quarter of 1991. Revenues increased by $4.6 million over 1991 mainly because of higher carload traffic volumes and revenues in most commodity groups, offset in part by reduced intermodal revenues caused by lower rates. Expenses were held below the 1991 level despite higher traffic volumes.

CN Real Estate's income through March 31 was $7.4 million, a decrease of $7.9 million from the first quarter of 1991. Lower income from land sales and joint ventures together with increased interest expense account for most of the decrease.

Other Enterprises had income of $8.7 million in the first quarter of 1992 compared with a loss of $0.6 million in the first quarter of 1991. The improvement was almost entirely due to a gain on the disposal of its investment in Telesat Canada.

Income from Discontinued operation (CN Exploration) in the first quarter of 1992 totalled $0.3 million, down $0.5 million from the comparable period in 1991. Lower oil prices were mainly responsible for the decline.

See Note 1 of Notes to Consolidated Financial Statements for a discussion of the differences in results determined according to accounting principles generally accepted in the United States compared with those based on Canadian accounting principles.

PART II OTHER INFORMATION

Item 6 - Exhibits and Reports on Form 8-K

(b) **Reports on Form 8-K**

The Company did not file any report on Form 8-K during the first quarter of 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Canadian National Railway Company
(Registrant)

Date: May 13, 1992

Y.H. Masse
Senior Vice-President and
Chief Financial Officer

Date: May 13, 1992

R.D. McGrath
Vice-President, Information Systems
and Accounting
(Principal Accounting Officer)